

ABSTRACT

This study, covering the period from 2010 to 2022, scrutinized the impact of Foreign Direct Investment (FDI) on agriculture productivity in Tanzania. Employing time series data and a sample of 33 observations, the research aimed to dissect both short-run dynamics and the enduring relationship between FDI and agriculture productivity. Preliminary analyses ensured data integrity, confirming normal distribution post-descriptive statistics and stationary variables through the ADF unit root test. The ARDL bound test demonstrated a long-run equilibrium between variables. Noteworthy findings unveiled a positive, significant relationship between FDI inflows and agriculture value added, suggesting a 1-unit surge in FDI leads to a 0.701-unit spike in agriculture productivity in the long run. The overall model, statistically significant with a low probability of F-statistic (0.0000), boasted high predictive power (adjusted R-squared at 74.4%). The ECM results, with a significant negative sign, confirmed co-integration, indicating a 0.66 percent correction in deviations from long-term growth in agriculture value added within the following year. Granger causality tests underscored a bi-directional causal relationship between FDI and agriculture in Tanzania, suggesting a reciprocal influence. This comprehensive study contributes valuable insights into the nuanced dynamics of FDI's impact on Tanzania's agriculture sector. The study recommends that Policymakers should implement strategies to create an investment-friendly environment, offering incentives and removing barriers to encourage sustained FDI inflows,